

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: School District Final Reports

ITEM NUMBER: 7

ATTACHMENTS: 9

ACTION: _____

DATE OF MEETING: June 4, 1998

INFORMATION: X

PRESENTER: Mr. Lee

- a. Glendale Unified School District
- b. Orange Unified School District
- c. Palm Springs Unified School District
- d. East San Gabriel Valley ROP
- e. Antioch Unified School District
- f. Fremont Unified School District
- g. Long Beach Unified School District
- h. Riverside Unified School District
- i. Corona-Norco Unified School District

In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The attached Executive Summaries present the highlights of nine final audit reports we issued in the period of February through April 1998.

The nine final audit reports present 21 findings, a number of which are very similar in nature, affecting the accounts of 236 active and retired members. This summary is presented in terms of the types of findings. The attached executive summaries present the findings by district.

Sick Leave Findings: Four districts did not report unused excess sick leave days separately from unused basic sick leave days and as a result these districts did not remit to STRS a total of \$97,492 needed to adequately fund the increased retirement allowances for 142 retired members. Five districts did not report accurate unused sick leave days as of the date 15 members retired. Members occasionally use sick leave after the Express Benefit Form is submitted. The districts are required to report the accurate balance within 30 days of retirement and sometimes the districts do not review their prior reports. Two districts reported inaccurate contract base service days which is necessary to calculate the proper amount of sick leave service credit. This error is usually because the districts did not include paid vacation days when reporting the contract base service days. The total net present cost of these sick leave findings was \$126,380.

Creditable Compensation Findings: Three districts reported non-creditable auto allowances and fringe benefits for six members who retired. These items of additional compensation were not permanent restructures because the reporting was done on either an optional basis, or not continued after the members retired. When certain items are reported as creditable compensation only in a member's final years of service, the related contributions and investment earnings are insufficient to fund the increased lifetime allowances. The six members' allowances were overstated by amounts from \$114 to \$742 per month with a net present value cost to STRS of \$244,969.

One district did not report as creditable compensation doctoral and longevity stipends it paid to three administrators. If these members had retired, their lifetime allowances would have been understated.

A second district inappropriately reported the employer's contribution of \$15,325 during three school years to a member's tax sheltered annuity. A third district inappropriately reported stipends totaling \$12,650 it paid to six principals who performed an extra duty as cluster principals. If these seven members had retired, their lifetime allowances would have been overstated.

Three districts inappropriately reported stipends paid to 55 members who performed extra duty as department chairs without release time. When a district does not provide release time, department chair stipends are not creditable compensation.

Post-Retirement Earnings: Three districts did not report post-retirement earnings for seven rehired retired members. One member worked two months as an acting principal and four members worked as substitute teachers. Two other members performed district administration duties. The districts did not complete the independent contractor certification forms as required when they hire retired members to perform creditable service. One member exceeded the annual earnings limitation by \$1,290 that must be collected unless the district can certify in good faith that the retired member was a bona fide independent contractor.

The cost to complete these nine audits, which includes staff time, travel, and per diem, was \$126,338. With a total savings of \$399,083 to the System, the audit benefit was more than \$3.15 for each \$1 expended. It should be noted also that the benefits from field audits are not limited to savings resulting from corrections of contributions or inflated retirement allowances. Also important are the on-site training that occurs as a by-product of audit discussions in the field, and the deterrent effect of the program of auditing randomly selected districts.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Glendale Unified School District
Glendale, CA**

Period Audited: July 1, 1995 to June 30, 1996 - For Audit of Active Members
 July 1, 1993 to June 30, 1996 - For Audit of Retired Members
 July 1, 1995 to June 30, 1995 - For Audit of Post-Retirement Earnings

Audit Report Date: February 5, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 0	Direct costs	
Retirement allowance, unfunded liability (net present value)	0	(Staff salaries, fringe benefits, travel and per diem)	<u>\$ 10,916</u>
Excess sick leave (net present value)	0		
Excess post-retirement earnings	<u>0</u>		
 TOTAL DOLLAR EFFECT	 <u>\$ 0</u>	 Benefit per Dollar Spent	 \$ 0
 Unreported post-retirement earnings	 <u>\$ 0</u>		

1. Finding:

We found no findings for the periods audited and no adjustments on the reported information were needed. The district was in compliance with the State Teachers' Retirement Law and related STRS Administrative Directives in reporting earnings and other retirement plan-related information to STRS.

Adjustment Needed

None.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Orange Unified School District
Orange, CA**

Period Audited:	July 1, 1994 to June 30, 1995	For Audit of Active Members
	July 1, 1992 to June 30, 1995	For Audit of Retired Members
	July 1, 1993 to June 30, 1995	For Audit of Post-Retirement Earnings

Audit Report Date: March 30, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 0	Direct costs	
Retirement allowance, unfunded liability (net present value)	4,706	(Staff salaries, fringe benefits, travel and per diem)	
Excess sick leave (net present value)	19,780		<u>\$ 13,018</u>
Excess post-retirement earnings	<u>0</u>		
 TOTAL DOLLAR EFFECT	 <u>\$24,486</u>	 Benefit per Dollar Spent	 \$ 1.88
 Unreported post-retirement earnings	 <u>\$ 8,787</u>		

1. Finding:

The District Reported Payments For Extra Service Assignments Performed Without Release Time. The District inappropriately reported to STRS stipends totaling \$2,112.12 it paid to two members who performed extra service assignments as department chairpersons without release time in school years 1990-91 and 1991-92. The members subsequently retired, and the stipend amounts reported in error caused their retirement allowances to be overstated by \$25.49 and \$8.63 respectively. The present value of the overstatement would have been approximately \$4,706.22. The employer and member contributions for the \$2,112.12 stipends paid to the two members amounted to \$343.22.

Adjustments Needed

The District must submit corrections through the County Office of Education to eliminate the non-creditable for the two members and the years stated in the appendix to this report.

Starting with school year 1994-95, the District must research its records and eliminate the stipend amounts it reported in error as creditable earnings, using the STRS Form F-496. The Office of Audits does not mandate corrections prior to the July 1, 1994 date. The District is free to correct prior years if it chooses with the following understanding. Accuracy is mandatory. In reporting such corrections the District must insure all members are fairly reported for each year corrected, and when the District takes a credit for any overpaid contributions it is required to forward the members' contributions to them.

The District must also immediately stop reporting non-creditable compensation to STRS.

2. Finding:

The District Did Not Report Unused Excess Sick Leave Days Separately From Unused Basic Sick Leave Days. The District did not report to STRS a total of 24 unused excess sick leave days separately from basic sick leave days for seven members who retired. As a result, the District did not pay STRS the present value of \$1,350.80 needed to fund the additional retirement benefit related to the excess sick leave days service credit.

Note: In compliance with the Adjustment Needed Section of the Draft Audit Report, the District has identified a total of 104 members whose excess sick leave days were not reported to STRS when they retired. The amount of the present value amount identified as due STRS now totals \$19,780.11.

Adjustment Needed

The District must report corrections to STRS on STRS Form SR-0559, Employment Termination and Sick Leave Correction, to correct the seven members' basic unused sick leave days and excess sick leave days on their retirement date, and remit the present value of the excess days, which is \$1,350.80.

The District must research its records, starting from July 1, 1992 to the present, and submit required corrections where necessary using SR Form 0559 for all members who have retired from the District and for whom excess sick leave days were provided.

3. Finding:

The District Did Not Report Post Retirement Earnings. The District did not report to STRS post-retirement earnings that it paid to a STRS retired member for performing creditable services as Acting Principal under a consultancy agreement during school year 1993-94. The District paid the retired member a total of \$8,787.00 by business warrants.

The District's management/administrative salary schedule for the 1993-94 school year shows that the maximum daily rate for a high school principal was \$272.75. Therefore, the District exceeded the amount paid to other employees performing comparable duties, and did not adhere to Education Code Section 23919.

Adjustments Needed

The District should have reported to STRS the retired member's \$8,787.00 post-retirement earnings paid to the Acting Principal for the period of August 9, 1993 through September 20, 1993, through the County Office of Education. However, because the retired member's earnings did not exceed the post-retirement limitation, no report is necessary.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Palm Springs Unified School District
Palm Springs, CA**

Period Audited:	July 1, 1994 to June 30, 1995	For Audit of Active Members
	July 1, 1992 to June 30, 1995	For Audit of Retired Members
	July 1, 1994 to June 30, 1995	For Audit of Post-Retirement Earnings

Audit Report Date: March 30, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$1,271	Direct costs	
Retirement allowance, unfunded liability (net present value)	1,952	(Staff salaries, fringe benefits, travel and per diem)	
Excess post-retirement earnings	<u>0</u>		<u>\$ 13,603</u>
 TOTAL DOLLAR EFFECT	 <u>\$ 3,223</u>	 Benefit per Dollar Spent	 \$ 0.24
 Unreported post-retirement earnings	 <u>\$ 0</u>		

1. Finding:

The District Reported Payments For Extra Duties Performed Without Release Time. The District inappropriately reported to STRS stipends totaling \$7,000.00 it paid to seven active members who performed extra duties without release time in school year 1994-95. The employer and member contributions for the \$7,000.00 paid to the seven members in the 1994-95 school year amounted to \$1,137.50.

The District identified 47 department chairpersons and we tested a sample of 7 members. The District bargaining agreement identified this duty as extra service with extra pay.

An additional member, who retired in June of 1994, was paid \$823.50 for extra duties performed without release time during school years 1991-92 through 1993-94, which caused her retirement allowance to be overstated by \$12.70 per month. If the error had not been discovered through the audit process, this amount would have become a liability to the System by a net present value amount of \$1,951.88.

Adjustments Needed

The District must submit corrections to eliminate the non-creditable stipends for the eight members and the years stated in the appendix to this report. The District must return the corresponding employee contributions to the members.

Starting with school year 1993-94, the District must research its records and eliminate the stipend amounts it reported in error as creditable earnings, using the STRS Form F-496.

The Office of Audits does not mandate corrections prior to the July 1, 1993 date. The District is free to correct prior years if it chooses with the following understanding. Accuracy is mandatory. In reporting such corrections the District must insure all members are fairly reported for each year corrected, and when the District takes a credit for any overpaid contributions it is required to forward the members' contributions to them.

The District must also immediately stop reporting non-creditable compensation to STRS.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of East San Gabriel Valley ROP
West Covina, CA**

Period Audited: July 1, 1995 to Dec 30, 1996 For Audit of Active Members
 July 1, 1990 to Dec 30, 1996 For Audit of Retired Members

Audit Report Date: March 30, 1998

Audit Cost-Benefit Summary:

Benefit:

Corrections to contributions	\$ 585
Retirement allowance, unfunded liability (net present value)	
Excess post-retirement earnings	<u>1,290</u>

Cost:

Direct costs	
(Staff salaries, fringe benefits, travel and per diem)	<u>\$5,678</u>

TOTAL DOLLAR EFFECT	<u>\$ 1,875</u>	Benefit per Dollar Spent	\$.33
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Unreported post-retirement earnings	<u>\$ 32,486</u>
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1. Finding:

The ROP Incorrectly Reported Ph.D. and Longevity Stipends as Non-Creditable

Compensation. The ROP incorrectly reported to STRS Ph.D. and longevity stipends totaling \$3,600 as non-creditable compensation for three active members for the 1996-97 school year.

The ROP incorrectly reported the Superintendent's Ph.D. stipend of \$800 and the longevity stipend of \$700, and longevity stipends totaling \$2,100 (\$1,050 each) paid to two site supervisors. These stipends were reported to STRS as non-creditable compensation without contributions taken out. These stipends should have been reported as creditable compensation with employee and employer contributions totaling \$585 remitted to STRS. The ROP correctly reported the Ph.D. and longevity stipends as creditable compensation for the prior school years. The stipends were also properly listed on the ROP managers and teacher's salary schedules and paid to everyone who had the education and experience.

Adjustments Needed

The ROP must submit adjustments and remit contributions on the Ph.D. and longevity stipends. The ROP must review all Ph.D. and longevity stipends and make the necessary adjustments within 60 days of the final audit report date in accordance with Education Code Section 23008(a).

2. Finding:

The ROP Did Not Report Post Retirement Earnings. The ROP did not report to STRS post-retirement earnings for creditable services performed by two retired members for the 1995-96 school year. One retired member earned \$18,840 and the other \$13,677. The first member's earnings exceeded the post-retirement earnings limitation by \$1,290.

The ROP entered into consultant services agreements with the two retired members to provide consulting services such as program planning, curriculum development and editing services for the GAIN or integration program. These services are defined as creditable service in Education Code Section 22119.5. The ROP paid these two retired members by using business warrants and reported these earnings on Form 1099 to IRS but the ROP did not report these earnings to STRS.

The ROP did not complete the independent contractor forms as required by STRS Administrative Directive 93-01, Determination of Independent Contractor Status, therefore the retired members' employment status should have been as employees and their earnings reported to STRS as post-retirement earnings regardless the method of payment.

Adjustments Needed

The ROP must either report the post-retirement earnings of \$18,840 and \$13,677 to STRS, or certify on the independent contractor forms as required by STRS Administrative Directive 93-01 that the retired members were independent contractors.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Antioch Unified School District
Antioch, CA**

Period Audited:	July 1, 1993 to June 30, 1994	For Audit of Active Members
	July 1, 1988 to June 30, 1995	For Audit of Retired Members

Audit Report Date: April 21, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 330	Direct costs	
Retirement allowance, unfunded liability (net present value)	14,416	(Staff salaries, fringe benefits, travel and per diem)	\$ 18,915
Excess post-retirement earnings	<u>0</u>		
TOTAL DOLLAR EFFECT	<u>\$ 14,746</u>	Benefit per Dollar Spent	\$ 0.78
Unreported post-retirement earnings	<u>\$ 0</u>		

1. Finding A:

District Reported Payments For Extra Duties Performed Without Release Time. The District inappropriately reported to STRS stipends totaling \$7,028.00 it paid to two active and three retired members who performed extra duties as department chairpersons without release time during school years 1989-90 through 93-94. The employer and member contributions for the active members was \$330. The three retired members' retirement allowances were overstated a total of \$91.49 per month with a present value cost to STRS of \$13,057.

Adjustments Needed

The District must submit corrections to eliminate the non-creditable stipends for the five members and the years stated in the appendix to this report. The District must return the corresponding employee contributions to the members.

Starting with the 1993-94 school year, the District must research its records for other department chairpersons and report corrections as needed. The District must also immediately stop reporting non-creditable compensation to STRS.

2. Finding B:

District Reported Incorrect Contract Base Service Days And Unused Sick Leave Days. The District incorrectly reported contract base service days for one retiring member, and unused sick leave days for another.

The District understated a retiring Vice Principal's contract base service days by 17 days. The member's Contract of Employment for school year 1993-94 showed the member's base service days as 197 days. When the member retired, the District reported 180 Contract Base Service Days. The second member was employed in a 50% job sharing assignment that authorized her five days of sick leave. The District inadvertently added the normal 10 days to her record. When the member retired, The District reported the overstated sick leave days to STRS.

These errors resulted in a combined overstated retirement allowance of \$9.41, and would have had a net present value cost to the System of approximately \$1,359.21 had the audit not detected the errors.

Adjustments Needed

The District must correct the previously reported incorrect contract base service days and unused sick leave days.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Fremont Unified School District
Fremont, CA**

Period Audited: July 1, 1993 - June 30, 1994 - For audit of Active Members
 July 1, 1988 - June 30, 1994 - For audit of Retired Members

Audit Report Date: April 17, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 0	Direct costs	
Retirement allowance, unfunded liability (net present value)	174,395	(Staff salaries, fringe benefits, travel and per diem)	
Excess post-retirement earnings	<u> 0</u>		<u>\$ 17,212</u>
 TOTAL DOLLAR EFFECT	 <u>\$174,395</u>	 Benefit per Dollar Spent	 \$10.13
Unreported post-retirement earnings	<u>\$ 10,815</u>		

1. Finding:

The District Reported Auto Allowance and Fringe Benefits As Creditable Compensation:

The District inappropriately reported to STRS, as creditable compensation, a total of \$33,344 it paid to the former superintendent for health benefits and auto allowances during the period July 1990 through June 30, 1994. Of this amount, \$29,665 was used to calculate his retirement allowance.

The former Superintendent's 1987-88 and 1988-89 contracts were compliant with STRS laws and administrative directives. His contract of 1989-90 permitted him the *option* to have his non-salaried compensation to be transferred to his salary. This statement remained in his contract until he retired in June 1994. To be an acceptable restructure to creditable compensation, the additions to base salary must be *permanent* and treated as base salary for all purposes. The member exercised his option to convert in an inconsistent manner. He directed District staff to add various amounts at different times to his salary reported to STRS as creditable compensation. The District reported the fringe benefits only for his final three years of service. The restructuring was done only for the incumbent and not continued for his successor, and thus, was not permanent. When the Superintendent retired, the District reverted back to providing the next superintendent the fringe benefits separate from creditable compensation without any option to convert the benefits to reportable compensation.

In addition to reporting non-creditable benefits and allowances, the District did not include his 20 days of paid vacation when it reported the former Superintendent's contract base service days on the Express Benefit Report (MS 0554E). The reporting of optional, non-permanent compensation and the exclusion of paid vacation days from the report of sick leave credit caused the former superintendent's monthly unmodified allowance to be overstated by \$742, creating an unfunded liability (net present value) to STRS of \$98,900.

A second member's previous contract, 1989-93 provided an out of pocket and auto allowance of \$200 per month separate from base salary, which was not reported to STRS. Her contracts, 1989 through 1994, when she retired, stated that she would receive the same pay raises and fringe benefits that other certificated management received. The District did not provide management a pay raise in 1993-94, her final year of service, however, it did increase her base salary by \$4,876.60. This increase consisted of \$2,400 for the \$200 per month out of pocket and auto allowance that was removed from her contract that year and \$2,476.60 which was 3% of her 5.05% fringe benefit. The District did not report fringe benefits for other management employees except for the superintendent discussed above.

The \$4,876.60 was included in the calculation of her retirement allowance and, along with an overstatement of unused sick leave days and an understatement of contract base service days explained in Finding 2, resulted in an overstatement of her retirement allowance of \$114.71, creating an unfunded liability (net present value) of \$16,324.27.

Adjustments Needed

The District must submit corrections to eliminate the \$33,343.98 and \$4,876.60 from creditable compensation for the two members.

2. Finding:

The District Reported Incorrect Unused Sick leave Days and Contract Base Service Days.

The District reported to STRS, incorrect contract base service days for the former superintendent, an assistant superintendent, and a director. The District also failed to certify, within 30 days following the effective date of the member's service retirement, the number of days accumulated and unused leave of absence for illness or injury that the employee is entitled to on the final day of employment.

During school year 1990-91, the District inadvertently doubled the amount of earned sick leave days for all certificated personnel. The District detected and corrected this error in school year 1992-93, however the sick leave days for 20 members who retired in June 1992 prior to the correction were not corrected. Therefore, their unused sick leave days were overstated by 10 to 18 days each.

The District credited one former assistant superintendent with 36 days earned sick leave rather than 18 days when she was initially hired on July 1, 1989. This resulted in her balance of unused sick leave days being overstated 18 days on June 30, 1994, when she retired. Also, the District did not include her 20 days of paid vacation when it reported her contract base service days.

The total number of unused sick leave days overstated was 258.5 for the 21 retired members and resulted in their retirement allowances being over stated from \$3.14 to \$30.04 per month. The present value of these overstatements is \$17,507.19.

Adjustments Needed

The District must report corrections to the 21 members' sick leave service credit.

3. Finding:

The District Did Not Report Unused Excess Sick Leave Days Separately From Unused Basic Sick Leave Days. The District did not report to STRS a total of 526.5 unused excess sick leave days separately from basic sick leave days for 15 members who retired during the period July 1, 1992 to June 30, 1994. As a result, the District did not pay STRS the present value of \$41,663.98 needed to fund the additional retirement benefit related to the excess sick leave days service credit.

Adjustment Needed

The District must report the appropriate corrections to the sick leave balances for the 15 members and remit the \$41,663.98 in present value to STRS for the excess sick leave service credit.

4. Finding:

The District Did Not Report Post-Retirement Earnings. The District did not report to STRS \$10,815 it paid to four retired members by business warrants during the period 1993-94. The earnings did not exceed the post-retirement limitation.

Adjustment Needed

In this case the District does not have to report the post-retirement earnings for prior years as no member exceeded the annual earnings limitation. However the District must report all future post-retirement earnings.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Long Beach Unified School District
Long Beach, CA**

Period Audited: July 1, 1995 - June 30, 1996 - For audit of Active Members
 July 1, 1993 - June 30, 1996 - For audit of Retired Members

Audit Report Date: April 14, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 2,490	Direct costs	
Retirement allowance, unfunded liability (net present value)	30,664	(Staff salaries, fringe benefits, travel and per diem)	
Excess post-retirement earnings	<u> 0</u>		<u>\$ 22,011 *</u>
 TOTAL DOLLAR EFFECT	 <u>\$ 33,154</u>	Benefit per Dollar Spent	\$1.51
Unreported post-retirement earnings	<u>\$ 0</u>	* Extra costs due to training a new auditor.	

1. Finding:

The District Inappropriately Reported a Tax-Sheltered Annuity As Creditable Compensation. The District inappropriately reported to STRS employer contributions to a tax-sheltered annuity as creditable compensation. The amounts reported total \$15,325 for the 1993-94 school year. The superintendent's contract specifically identified the \$5,000 tax sheltered annuity as being paid for by the District, which was separate from base salary.

Adjustment Needed

The District must report corrections to eliminate the \$15,325 from the three school years, 1993-94 to 1995-96 and refund the member's contributions to him.

2. Finding:

The District Reported An Auto Allowance as Creditable Compensation. The District inappropriately reported to STRS an auto allowance totaling \$8,280.26 during the 1991-92 to 1993-94 school years for a former Director, who retired on July 1, 1995.

The former Director was the only person in the Director classification that was paid an auto allowance, which was \$3,600 per year. Although the member continued to be paid the allowance until his retirement, the District reported his allowance as creditable compensation for just two years and five months, stopping after November 1993. The District stopped reporting the auto allowance to STRS during the last seven months of 1993-94 and for the whole of the 1994-95 school year. As a result of inappropriate reporting of creditable earnings, the unmodified allowance of the former director was overstated by \$211.18 per month, which has a present value cost to the system of \$27,988.58.

Adjustment Needed

The District must report corrections to eliminate the non-creditable \$8,280.26 from the three school years, 1991-92 to 1993-94 and refund the member's contributions to him.

3. Finding:

The District Incorrectly Reported Unused Sick Leave Days. The District reported incorrect unused sick leave days for four members who retired at the end of the 1994-95 school year.

The District failed to certify within 30 days following the effective date of the member's service retirement, the number of days accumulated and unused leave of absence for illness or injury that the employee is entitled to on the final day of employment. As a result of incorrect reporting of unused sick leave days, four members' sick leave service credit were overstated. The overstatement caused their monthly unmodified allowance to be overstated approximately by \$2.87 to \$6.62. The overstatements for the four members have a present cost to STRS of approximately \$2,675.82.

Adjustment Needed

The District must verify the members' unused sick leave at their retirement date and report the corrections to STRS as required using STRS Form SR-0559.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Riverside Unified School District
Riverside, CA**

Period Audited: July 1, 1995 - June 30, 1996 - For audit of Active Members
 July 1, 1990 - June 30, 1996 - For audit of Retired Members

Audit Report Date: April 16, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 2,055	Direct costs	
Retirement allowance, unfunded liability (net present value)	131,610	(Staff salaries, fringe benefits, travel and per diem)	
Excess post-retirement earnings	<u>0</u>		<u>\$ 14,785</u>
 TOTAL DOLLAR EFFECT	<u>\$133,665</u>	Benefit per Dollar Spent	\$ 9.04
Unreported post-retirement earnings	<u>\$ 0</u>		

Finding A1:

The District Reported Vehicle Allowances and Reimbursement Expenses As Creditable Compensation. The District inappropriately reported to STRS vehicle allowances and reimbursement expenses totaling \$54,971 paid to three senior executives during final years of service ending in retirement.

The District provided its cabinet members a \$4,200 annual vehicle allowance and a reimbursement of 2% of their 8% contribution to STRS. These additional amounts were identified as "Expense Reimbursements" in their individual employment contracts separate from Salary and not reported to STRS. The contracts allowed the members the option to receive the vehicle allowance separately or as part of salary. The contracts made no such provision for the 2% partial reimbursement of the STRS contributions. These errors overstated the senior executives monthly unmodified allowance by \$141, \$171, and \$447 creating an unfunded liability (net present value) to STRS of \$101,756.

Adjustment Needed

The District must report corrections to eliminate the \$54,971 for the non-creditable vehicle allowances and reimbursement expenses for the three retired members and refund the members' contributions to them.

Finding A2:

The District Reported Non-Creditable Stipends as Creditable Compensation. The District inappropriately reported to STRS as creditable compensation, non-creditable stipends totaling \$6,050 paid to six principals for the 1995-96 school year and \$6,600 during the 1996-97 school year for performing extra duties as coordinating cluster principal.

The coordinating cluster principal duties are beyond the full-time equivalent of the normal district principals, therefore the stipends are considered overtime, and non-creditable for retirement reporting purposes. As a result of the incorrect reporting of cluster principal stipends, the District overstated the employer and employee contributions by approximately \$983 and \$1,073 for 1995-96 and 1996-97 respectively.

Adjustment Needed

The District must report corrections to eliminate the \$12,650 for the non-creditable cluster principal stipends and refund the members' contributions to them.

Finding B1:

The District Reported Incorrect Unused Sick Days. The District reported incorrect unused sick leave days for six members who retired during the period of July 1, 1992 through June 28, 1997. Four of the six retired members' sick days were overstated and two members were understated.

As a result of the incorrect reporting of unused sick days, the four members' retirement allowances were overstated by approximately \$1.98 to \$7.14, and the two members' retirement allowance was understated by approximately \$11.82 and \$29.42. The present value cost to STRS for the four members is approximately \$3,316.

Adjustment Needed

The District must report corrections to six members unused sick leave balance using STRS Form SR-0559.

Finding C:

The District Did Not Report Unused Excess Sick Leave Days Separately From Unused Basic Sick Days. The District did not report to STRS a total of 385 excess sick days separately from basic sick days for 17 certificated management employees who retired during the period July 1, 1992 to July 1, 1997.

As a result, the District did not pay STRS the present value of \$26,538 needed to fund the additional retirement benefit related to the excess sick leave days service credit.

Adjustment Needed

The District must report corrections to 17 members' unused excess sick leave using STRS Form SR-0559 and remit the present value of \$26,538 to STRS.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings & Adjustments Needed
Audit of Corona-Norco Unified School District
Norco, CA**

Period Audited: July 1, 1995 to June 30, 1996 - For Audit of Active Members
 July 1, 1993 to June 30, 1996 - For Audit of Retired Members
 January 1, 1995 to June 30, 1995 - For Audit of Post-Retirement Earnings

Audit Report Date: March 26, 1998

Audit Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 0	Direct costs	
Retirement allowance, unfunded liability (net present value)	4,029	(Staff salaries, fringe benefits, travel and per diem)	
Excess sick leave (net present value)	9,510		<u>\$ 10,916</u>
Excess post-retirement earnings	<u>0</u>		
 TOTAL DOLLAR EFFECT	 <u>\$13,539</u>	 Benefit per Dollar Spent \$ 1.24	
 Unreported post-retirement earnings	 <u>\$ 0</u>		

1. Finding:

The District Did Not Report Unused Excess Sick Leave Days Separately From Unused Basic Sick Leave Days. The District did not report to STRS a total of 141.25 unused excess sick leave days separately from basic sick leave days for six administrators who retired. As a result, the District did not pay STRS the present value of \$9,510.20 needed to fund the additional retirement benefit related to the excess sick leave days service credit.

Adjustment Needed

The District has already submitted corrections and remitted the present value of the excess days, which is \$9,510.20.

2. Finding:

The District Did Not Report An Adjustment in Unused Sick Leave Days. The District overstated the unused sick leave for one retired member by 61 days. The member used 61 sick leave days after the Express Benefit Form was submitted to STRS and the District did not report the required correction when he retired. The overstated sick leave days overstated the retired member's retirement allowance by approximately \$ 24.96 per month with a net present value of \$4,029.

Adjustment Needed

The District has already submitted the correction and the member's allowance has been adjusted.